

## Message Text

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ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 AID-05 CIAE-00 COME-00  
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02  
OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 DODE-00  
PA-01 PRS-01 FS-01 ABF-01 /058 W  
-----065597 240457Z /17

R 232220Z JUN 77

FM AMEMBASSY QUITO  
TO SECSTATE WASHDC 4836  
INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 4160

E.O. 11652: GDS  
TAGS: EFIN EC  
SUBJ: LA PREVISORAOOANCO NACIONAL DE CREDITO, GUAYAQUIL

REFS: A) 76 QUITO LOU 8696, B) 76 QUITO CONFIDENTIAL 4411  
TO SECSTATE, C) GUAYAQUIL LOU 859.

1. FOLLOWING IS REPORT FROM CONGEN GUAYAQUIL:

QUOTE: ACCORDING TO LOCAL PRESS OF JUNE 23, THE  
GOE BY MEANS OF EXECUTIVE DECREE NO. 1544/A OF  
JUNE 21 LIMITED UNTIL FURTHER NOTICE THE ACTIVITY  
OF THE SUBJECT BANK'S PUBLIC DEPOSIT DEPARTMENT  
(COMMERCIAL ACCOUNTS) TO THE HONORING OF CHECKS  
PRESENTED FOR COLLECTION. THE RECEIVING OF DEPOSITS  
FROM THE PUBLIC IS NOT PERMITTED. ALL OTHER BANK  
DEPARTMENTS, INCLUDING SAVINGS AND MORTGAGE, WILL  
CONTINUE TO OPERATE NORMALLY, THE MEASURE AFFECTS  
THE BANK'S HEAD OFFICE IN GUAYAQUIL ONLY AND NONE OF  
ITS BRANCHES AND AGENCIES SCATTERED THROUGHOUT THE REST  
OF ECUADOR.

2. THE REASONS MOTIVATING THE AFOREMENTIONED  
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LIMITATION OF ACTIVITY ARE QUOTED VERBATIM AS  
FOLLOWS: A) NOTES RECEIVABLE BY LA PREVISORA BANK'S  
HEAD OFFICE IN GUAYAQUIL AMOUNT TO TWICE AS MUCH  
THE BANK'S TOTAL CAPTIAL; B) THE BANK'S RESERVES,  
WHICH BY LAW ARE TO BE MAINTAINED ON DEPOSIT WITH THE  
CENTRAL BANK OF ECUADOR, SHOW A PERSISTENT  
DEFICIENCY TO THE EXTENT THAT LA PREVISORA HAS AT THE

PRESENT TIME NO SUCH RESERVES; C) THE FOREGOING HAS RESULTED IN A LACK OF LIQUIDITY WHICH IS INCOMPATIBLE WITH THE RULES AND REGULATIONS GOVERNING BANKING ACTIVITIES IN THE COUNTRY, AND D) LA PREVISORA BANK HAS BEEN REPEATEDLY VIOLATING DEFINITE RULINGS CONTAINED IN THE GENERAL BANKING ACT.

3. GOVERNMENT DECREE INFORMS PUBLIC THAT IF INSUFFICIENT CASH AVAILABLE TO MEET CLAIMS OF DEPOSITORS AND FOREIGN CREDITORS, CENTRAL BANK WILL PROVIDE CASH TO COVER.

4. LAST WTDR ON LA PREVISORA, GUAYAQUIL, FTI 0094100, WAS SUBMITTED BY POST BY MEANS OF REF A) OF DECEMBER 15, 1976.

5. REF C) OF JUNE 3, 1977 REGARDING A WTDR REQUEST ON THE LOCAL FIRM OF ECIMEX-ECUADOR IMPORTADORA EXPORTADORA CIA, LTDA., GUAYAQUIL, EXPLAINS THE REASONS FOR LA PREVISORA'S DECLINE IN STABILITY. BISHTON. END QUOTE.

6. EMBASSY COMMENT: IT IS EMBASSY'S PRELIMINARY OPINION THAT THE GOE WILL COVER THE OBLIGATIONS OF LA PREVISORA. OUR OPINION IS BASED ON THE FOLLOWING REASONS: 1) LA PREVISORA IS ONE OF ECUADOR'S LARGEST BANKS, AND THE GOE'S FAILURE TO CONFIDENTIAL

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SUPPORT THE BANK COULD HAVE SEVERE EFFECT ON ENTIRE BANKING SYSTEM. IT IS ALREADY RUMORED THAT BANCO DE GUAYAQUIL AND BANCO LA FILANTROPICA HAVE DANGEROUSLY HIGH LEVELS OF DELINQUENCIES; 2) THE BANK HAS BEEN INTERVENED OFF AND ON SINCE 1975, AND INTERVENTION SHOULD HAVE PREVENTED THIS EXTREME MEASURE; 3) THE WIDELY RUMORED AGREEMENT BETWEEN FORMER PREVISORA PRESIDENT AND GENERAL DURAN TO REMOVE THE INTERVENTORS FROM THE BANK IN MID-1976 REFLECTS BADLY ON THE GOVERNMENT; AND 4) THE GOE CAN AFFORD TO SUPPORT LA PREVISORA (AS WAS NOT THE CASE WHEN THE BANK OF GUAYAQUIL FAILED SEVERAL YEARS AGO). EMBASSY HAS NO OBJECTION IF EXIMBANK WISHES TO PASS EMBASSY'S OPINION (IN GENERAL TERMS) TO INTERESTED US. BANKS. WE WILL BE MEETING WITH THE SUPERINTENDENT OF BANKS NEXT WEEK TO SEE IF WE CAN GET A CLEARER READING ON THE SITUATION, ESPECIALLY REGARDING REPAYMENT OF FOREIGN CREDITORS. BLOOMFIELD

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**Disposition Date:** 22 May 2009  
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